KPMG

Financial Statements of

FIRST NATIONS TRUST FUND

Year ended March 31, 1999

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AUDITORS' REPORT TO THE TRUST BENEFICIARIES

We have audited the balance sheet of First Nations Trust Fund as at March 31, 1999 and the statements of revenue and expenditures and unrestricted surplus, security recourse reserve and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Saskatchewan
June 7, 1999

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FIRST NATIONS TRUST FUND

Balance Sheet

March 31, 1999

	1999	1998
Assets		
Current assets:		
Cash	$ 37,869	$ 10,142
Restricted cash (note 2)	-	857,617
Gaming revenue receivable	1,012,500	-
	$ 1,050,369	$ 867,759
Liabilities and Trust Balances		
Current liabilities:		
Payable to First Nations	$ 834,283	$ 10,142
Payable to First Nations Addictions Rehabilitation Foundation	191,086	-
Payable to Saskatchewan Indian Gaming Commission	25,000	-
	1,050,369	10,142
Trust balances:		
Security recourse reserve (note 2)	-	857,617
Unrestricted surplus	-	-
	-	857,617
Contingency (note 6)		
	$ 1,050,369	$ 867,759

See accompanying notes to financial statements.

On behalf of the Trustees:

Trustee

Trustee

FIRST NATIONS TRUST FUND

Statement of Revenue and Expenditures and Unrestricted Surplus

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Revenue:		
Gaming revenue	$ 13,603,077	$ 7,509,168
Interest	73,282	27,352
	13,676,359	7,536,520
Expenditures:		
Distributions to First Nations	13,490,126	6,210,017
First Nations Addictions Rehabilitation Foundation	764,350	270,173
National assembly travel subsidy (note 3)	-	138,000
Contribution to FSIN Senate (note 4)	144,000	-
Saskatchewan Indian Gaming Commission	100,000	131,913
Saskatchewan Indian Veterans Association	35,500	35,500
	14,533,976	6,785,603
Excess (deficiency) of revenue over expenditures	(857,617)	750,917
Unrestricted surplus, beginning of year	-	-
Net transfers from (to) security recourse reserve	857,617	(750,917)
Unrestricted surplus, end of year	$ -	$ -

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Statement of Security Recourse Reserve

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Reserve, beginning of year	$ 857,617	$ 106,700
Net transfer from (to) unrestricted surplus	(857,617)	750,917
Reserve, end of year	$ -	$ 857,617

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Statement of Cash Flows

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Cash provided by:		
Operations:		
Excess (deficiency) of revenue over expenditures	$ (857,617)	$ 750,917
Change in non-cash operating working capital:		
Gaming revenue receivable	(1,012,500)	-
Payable to First Nations	824,141	7,476
Payable to First Nations Addictions Rehabilitation Foundation	191,086	-
Payable to Saskatchewan Indian Gaming Commission	25,000	-
Increase (decrease) in cash	(829,890)	758,393
Cash position, beginning of year	867,759	109,366
Cash position, end of year	$ 37,869	$ 867,759
Cash position is comprised of the following balance sheet items:		
Cash	37,869	10,142
Restricted cash	-	857,617
	$ 37,869	$ 867,759

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Notes to Financial Statements

Year ended March 31, 1999

General Information

The First Nations Trust Fund (the "Fund") was established to administer and disburse funds earned through gaming activities. Pursuant to the 1994 Casino Gaming Agreement between Federation of Saskatchewan Indians, Inc. ("FSIN") and the Province of Saskatchewan (the "Province") and Section 17 of the Saskatchewan Gaming Corporation Act, the Fund is to receive 25% of the net profits of the Regina Casino which are to be distributed through the Province's General Revenue Fund. Pursuant to the 1995 Agreement between FSIN and the Province, the FSIN Gaming Act and the Trust Indenture between FSIN and the Saskatchewan Indian Gaming Commission ("SIGC"), the Fund is to receive through the Province's General Revenue Fund, a percentage of the net profits generated by casinos operated by Saskatchewan Indian Gaming Authority, Inc. ("SIGA") as follows:

For casinos located on reserves, 50% of net profits and an additional 25% of net profits for charitable purposes related to First Nations, and

For casinos not located on reserves 50% of net profits.

At any time when the cumulative total of 50% of net profits generated by casinos operated by SIGA exceeds the 25% of the net profits of the Regina Casino distributed to the Fund, the Fund shall only be entitled to 25% of the excess (the "Flip" clause).

The Fund is administered by trustees appointed by SIGC pursuant to the First Nations Gaming Act and the Saskatchewan Gaming Corporations Act.

The 1995 Gaming Agreement provides for the establishment of First Nations Addictions Rehabilitation Foundation ("FNARF") for the purpose of providing gaming addictions rehabilitation and prevention services for First Nations people. The operations of FNARF are to be funded from gaming revenues distributed by the Province to the Fund.

The Trustees may make payments from the Fund for the following purposes related to First Nations and Tribal Councils in Saskatchewan:

- economic development
- social development
- justice initiatives
- educational development
- recreational facilities operation and development
- senior and youth programs
- cultural development
- community infrastructure development and maintenance
- health initiatives, and
- any other community development and/or project.

General Information (continued):

The Trustees shall make payments from the Fund on a fair and equitable basis in accordance with guidelines approved by the Chiefs-in-Assembly. The Trustees may also disburse funds identified for charitable purposes to First Nations charities.

1. Significant accounting policies:

(a) Use of estimates:

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Actual results could differ from these estimates.

The 1995 Agreement between FSIN and the Province is currently under negotiation. At the agreement of the parties, distributions to the Fund during 1999, were based on 37.5% of net profits generated by casinos operated by SIGA and 25% of net profits of the Regina Casino without application of the Flip clause described above. This distribution assumes the new Agreement, presently under negotiation, would be retroactive to April 1, 1998, the start of the Fund's fiscal year. The amount of future distributions to the Fund through the Province's General Revenue Fund are dependent on the negotiations with respect to the new Agreement. Should negotiations with respect to the new Agreement be unsuccessful, or should the new Agreement not be retroactive to April 1, 1998, the final distribution could be reduced.

(b) Gaming revenues:

Gaming revenues are recorded when receivable from the Province's General Revenue Fund. Distributions of gaming revenue are made to the Fund in quarterly installments based on estimates of net profits at the SIGA casinos and the Regina Casino. Upon completion of the fiscal years of the SIGA casinos and Regina Casino, a final distribution is made to the Fund by the Province's General Revenue Fund. The amount of this final distribution is recorded as gaming revenue upon determination and allocation by the Province.

(c) Distributions to First Nations:

Distributions to First Nations are made based on guidelines approved by the Chiefs-in-Assembly. Amounts in excess of the required security recourse reserve and administrative expenditures are allocated or distributed to First Nations.

2. Restricted cash and security recourse reserve:

Prior to 1999, the Fund was required to hold in reserve, as security for repayment of a loan obtained by SIGA for the development and operation of casinos in the Province, 10% of gaming revenue received by the Fund from the Province's General Revenue Fund. In case of a default by SIGA on any of the terms or conditions of its loan agreement with its lender, those funds could have been required to repay any remaining balances of the loan. During 1999, the loan was repaid in full by SIGA and the balance of the security recourse reserve was transferred to unrestricted surplus and distributed according to the Fund's distribution formula.

3. National assembly travel subsidy:

In 1998, the Chiefs-in-Assembly approved a resolution allocating $2,000 per First Nation to subsidize the costs of travel to the Assembly of First Nations general meeting.

4. Contribution to FSIN Senate:

In 1999, the Chief-in-Assembly approved a resolution allocating $144,000 to the FSIN Senate to ensure the continuation of its mandate.

5. Related party transactions:

Related parties to the Fund include Saskatchewan Tribal Councils and First Nations, SIGC, FNARF, FSIN and Saskatchewan Indian Veterans Association. Expenditures to related parties are disclosed in the statements of revenue and expenditures and unrestricted surplus.

6. Uncertainty due to Year 2000:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

7. Financial assets and liabilities:

The carrying amounts of the Fund's financial assets and liabilities including gaming revenue receivable, payable to First Nations, payable to First Nations Addictions Rehabilitation Foundation and payable to Saskatchewan Indian Gaming Commission, approximate fair value due to the short-term maturity of these items.